



December 23, 2009

Ms. Jennifer Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street at Constitution Avenue, NW
Washington, DC 20511

Re: Proposed Changes to Closed-End Mortgage Rules (Docket No. R-1366)

Dear Ms. Johnson,

The proposed changes to the closed-end mortgage rules and those specifically related to loan originator compensation contains restrictions that will not only reduce competition and customer service but will generate severe unintended consequences.

Having spent 26 years in residential mortgage origination in the north Texas market I am the first to agree that changes were needed and these changes have been well received among reputable professionals with respect to the SAFE Act and the RESPA changes to be implemented on January 1, 2010.

Legislation that governs loan officer compensation by requiring salaries will limit competition and favor the large banks across the country. These large banks rely on understaffed and poorly managed mortgage departments to control markets and in most cases poorly serve the customer. Just ask a Bank of America or Chase borrower how much time was needed to refinance their home this year. The answer in many cases is greater than 4 months when our firm routinely completed transactions in less than 30 days and by the way, the borrower paid a higher rate/fee on these longer transactions to simply protect the rate lock for the extended time.

Looking forward the future result here is simple. Salaried mortgage originator staff will perform just well enough and talented staff will be driven from the industry to seek employment where extraordinary efforts are rewarded. This will limit consumer's choices by favoring the large banks as they enjoy less competition resulting in higher expenses to the borrower.

It would seem that the large banks have negatively impacted our economy as well as the world economy by successfully lobbying and controlling many facets of the financial system including the mortgage market.

As you prepare to consider these rule changes please take a moment to remember the smaller businesses across the country and the unintended consequences which will severely impact all but the largest banks.

Thank you in advance for the opportunity to share my opinion on this topic and I look forward to your favorable response.

Respectfully submitted,

A handwritten signature in blue ink that reads "John V. Kelly, III". The signature is stylized with a large 'J' and 'K'.

John V. Kelly, III
President